**High Commission of India**

**London**

**(Economic & Commerce Wing)**

***Economic & Commercial Report on the United Kingdom***

***July - 2017***

 **Overview of UK’s Economy**

* UK Goss Domestic Product (GDP) was estimated to have increased by 0.3% in Quarter 2 (Apr to June) 2017.
* Growth in Quarter 2 2017 was driven by services, which grew by 0.5% compared with 0.1% growth in Quarter 1 (Jan to Mar) 2017.
* The largest contributors to growth in services were retail trade, which improved after a fall in the first quarter, and film production and distribution.
* Construction and manufacturing were the largest downward pulls on quarterly GDP growth, following 2 consecutive quarters of growth.
* GDP per head was estimated to have increased by 0.1% during Quarter 2 2017.

**The Consumer Prices Index**

* The Consumer Prices Index including owner occupiers’ housing costs (CPIH, not a National Statistic) 12-month inflation rate was 2.6% in June 2017, down from 2.7% in May 2017.
* This is the first fall in the CPIH inflation rate since April 2016, although it remains higher than in recent years.
* Falling prices for motor fuels and certain recreational and cultural goods and services were the main contributors to the fall in the rate.
* These downward contributions were partially offset by rising prices for furniture and furnishings.
* The Consumer Prices Index (CPI) 12-month rate was 2.6% in June 2017, down from 2.9% in May 2017.

**The Unemployment rate**

* The unemployment rate fell to 4.5% in the 3 months to May 2017 - the lowest since 1975.

**Public sector net borrowing**

* Public sector net borrowing (excluding public sector banks) increased by £1.9 billion to £22.8 billion in the current financial year-to-date (April 2017 to June 2017), compared with the same period in 2016.

**Index of Services**

* Services output increased by 0.2% between April and May 2017.
* The largest contribution to the month-on-month growth came from business services and finance, which contributed 0.23 percentage points.

**£100m boost for UK space sector to ensure UK is equipped to stay ahead of the competition:**

Universities and Science Minister Jo Johnson underlined the government’s commitment to the UK space sector as he visited the future site of a new £100m state-of-the-art government-funded satellite facility. The £100m package includes £99m of Industrial Strategy Challenge Fund investment to create a National Satellite Testing Facility (NSTF) on the Harwell Campus in Oxfordshire, alongside a £4m investment for a new National Space Propulsion Facility to develop and test space engines at Wescott Venture Park in Buckinghamshire.

Part of the Government’s Industrial Strategy, the significant funding boost will enable UK industry to competitively bid for more national and international contracts and ensure to remain world-leader for space technologies.

**£13 million fund to increase England's woodland:**

Forestry Minister Thérèse Coffey confirmed £13 million fund to help landowners plant more trees to protect wildlife, boost the timber sector and reduce flood risk.

**£86 million funding announced for new medicine and technology:**

The government has announced new funding of up to £86 million for UK firms to develop medical breakthroughs. The funding is split into 4 packages. These include:

* £39 million of funding to the Academic Health Science Networks (ASHNs), enabling them to assess the benefits of new technologies and support NHS uptake of those that deliver real benefits to patients according to the local need
* £35 million Digital Health Technology Catalyst for innovators – this will match-fund the development of digital technologies for use by patients and the NHS
* £6 million over the next 3 years to help SMEs with innovative medicines and devices. Building on existing opportunities such as the Early Access to Medicine Scheme (EAMS)
* £6 million Pathway Transformation Fund, which will help NHS organisations integrate new technologies into everyday practices - this will help overcome more practical obstacles such as training staff on how to use new equipment

**£100 million Rutherford Fund to attract best researchers to the UK:**

Universities and Science Minister Jo Johnson confirmed governments investment of £100 million to attract highly skilled researchers to the UK through its new Ernest Rutherford Fund. The Fund will provide fellowships for early-career and senior researchers, from the developed world and from emerging research powerhouses such as India, China, Brazil and Mexico, helping to maintain the UK’s position as a world-leader in science and research. At 2016 Autumn Statement, the government announced a significant increase in public research and development spending, totaling £4.7 billion. This will provide an additional £2 billion a year by 2020 to 2021 – an increase of around 20% to total government spending, The fund under the leadership of Chief Executive Sir Mark Walport, will play a key role in strengthening the UK’s competitiveness through the Industrial Strategy and will be administered by Innovate UK and the Research Councils until the new body UK Research and Investment (UKRI) is formed in 2018..

 **UK-World Trade Review (in £million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Export to the rest of the world | % change  | UK Imports from the rest of the world | % change  | Total | % change  | UK’s Balance of Trade |
| 2015 | 305170 | -1.70% | 411878 | -2.27% | 717048 | -2.03% | -106708 |
| 2016 | 304423 | -0.19% | 470579 | +14.16% | 775002 | +8.14% | -166156 |
| January- May 2017  | 142781 | 18.97% | 200335 | 9.01% | 343116 | 12.94% | -57554 |

**UK-India Bilateral**

**UK-India Trade Review (in £ million)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Year | UK Exports to India | % change  | UK Imports from India | % change | Total | % change  | India’s Balance of Trade |
| 2010 | 4017 | +36.49% | 5446 | +25.86 % | 9463 | +30.16% | 1429 |
| 2011 | 5488 | +36.61% | 5868 | +7.74 % | 11356 | +20.00% | +380 |
| 2012 | 4567 | -16.78% | 6010 | +2.41 % | 10577 | -6.85% | +1443 |
| 2013 | 5118 | +12.06 | 6186 | +2.92 % | 11304 | +6.87% | +1068 |
| 2014 | 3893 | -23.93% | 6566 | +6.14 % | 10459 | -7.47% | +2673 |
| 2015 | 3911 | 0.46% | 6062 | -7.67 % | 9973 | -4.64% | +2151 |
| 2016 | 3274 | -16.27% | 6171 | +1.79% | 9445 | -5.28% | +2897 |
| January – May 2017 | 1592 | 14.58% | 3004 | 16.74% | 4596 | 69.46% | 1412 |

*(Source: Office for National Statistics and Overseas Trade Statistics, HM Customs & Excise)*

**Trade and Investment Enquiries from India** : 42

**Trade and Investment Enquiries from UK** :

**Tenders from India**: : 10

**Investments from UK to India**

According to the latest DIPP figures, UK is now the 4th largest inward investor in India, after Mauritius, Singapore and Japan with a cumulative equity investment of US $ 24.59 billion (April 2000- March 2017). UK now ranks second among the G20 countries and accounts for around 7% of all foreign direct investment into India for the period April 2000 – March 2017.

**Investments from India to UK**

According to the Inward Investment Result 2015-16 by the Department for International Trade, India retains the position as 3rd largest investor in the UK. India also emerged as the 2nd largest international job creator in UK. The US remains the biggest source of inward investment, accounting for 570 projects, followed by China with 156 projects and India with 140 projects. Indian companies created 140 FDI projects in the UK in 2015-16, and created 7, 105 new jobs and safeguarded 344 jobs.

**Bilateral Visits of Ministers India-UK**

***Visit of Union Cabinet Minister of Food Processing, Government of India, to the UK:***

Union Cabinet Minister of Food Processing, Government of India, Ms. Harsimrat Kaur Badal visited the UK on 14th July 2017 for a road show to urge UK companies to participate in India's food processing value chain, marking a market worth $600 billion is waiting for the British firms.

***UK’s Armed Forces Chief of the Defence Staff (CDS) Air Chief Marshal Sir Stuart Peac, visit to India:***

UK’s Armed Forces Chief of the Defence Staff (CDS) Air Chief Marshal Sir Stuart Peac, visited India on 19th July 2017, to further reinforce an already robust UK-India defence and security partnership. Sir Stuart last visited in April 2015 as the UK’s Vice Chief of the Defence Staff. Under the umbrella of 2015 Defence and International Security Partnership, Sir Stuart met senior Indian ministers and defence officers. His meetings covered the growing strategic defence relationship through the recently established capability partnerships, the threat of terrorism and extremism faced globally, multinational cooperation, upcoming exercises, and United Nations Peacekeeping.

**Multilateral**

***International Trade Secretary Dr Liam Fox visited Washington from 24-26 July 2017, for first meeting of UK-US Trade and Investment Working Group***

International Trade Secretary Dr Liam Fox visited Washington on 24-26 July 2017, to launch a fresh attempt to boost the UK’s trade and investment Working Group relationship with the US, arguing that commercial ties between the two nations could be worth an additional £40bn in the decade after Brexit if both sides remove existing barriers. The discussions focused on providing certainty for businesses on both sides of the Atlantic post-Brexit.

Mr Fox’s stance during his visit to US highlighted the potential for the UK to make significant compromises on striking bilateral trade deals with countries after Britain leave the EU. Chlorinated Chicken, which is allowed in US, but banned in EU, was at the centre of debate.

Trade talks were reported to have been overshadowed by criticism of British campaigner over imports of cheap chlorinated chickens from US which could lower British food standards. Concerns over the safety of the chlorine washes used by US Chicken producers to kill bacteria, including Salmonella, has been a sticking point in Trans-Atlantic Trade negotiations. US farmers insist on inclusion in bilateral trade deals.

Dr Fox further travelled to Mexico to meet with the Mexican Minister of Economy, Ildefonso Guajardo to discuss continuity in trading relationship after Brexit. Mexico is an emerging market – currently the 15th largest in the world and has a growing interest in sectors in which the UK has expertise such as energy, financial services and retail. Trade between the UK and Mexico is worth £3.6 billion annually and a number of Mexican companies have invested in UK industries such as food, chemicals, construction and financial services.

**India-UK Bilateral Investment in July 2017 - Media Reports/Press Release (Gov.UK)**

***Tata Technologies opened new European Innovation and Development Centre in Warwick, UK-***

Tata Technologies, the global engineering services company, inaugurated its new European Innovation and Development Centre (EIDC in Warwick, UK. The EIDC is a £20 million investment in the company’s operations in the UK and Europe, following the successful growth of the business across the region. The new building will house Tata Technologies’ engineering support services, two advanced engineering labs and a modern R&D centre that will further develop the company’s capabilities and growth opportunities in key sectors including automotive, aerospace and industrial machinery. The centre will serve as the company’s European headquarters. The facility will hold approximately 600 staff and create more than 200 additional jobs for design engineers and programme managers — creating STEM (science, technology, engineering and math) job opportunities at all levels, from graduate to senior leadership roles.

***IBM India to get 500 jobs from Lloyds Bank –***

Almost 500 IT jobs outsourced by Lloyds Bank to IBM is expected to come to India. The British bank is outsourcing large parts of its IT to IBM in a deal worth over 1.3 billion pounds over 10 years. It is expected to involve 1,900 jobs.

***Barclays becomes first lender to tie up with India Post –***

British lender Barclays became the first bank to have a national tie-up with the India Post which runs over 1,55,000 post offices across the country.

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